

Message Text

CONFIDENTIAL

PAGE 01 CARACA 11195 01 OF 02 181317Z

41

ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 PC-01 IGA-02 INT-05 STR-04 AID-05 COME-00

EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03 CIEP-01 LAB-04

SIL-01 OMB-01 CU-02 DHA-02 MCT-01 CEA-01 FAA-00

DOT-00 AF-08 MC-02 ACDA-07 SCA-01 ORM-02 IO-13 FEA-01

OES-06 NEA-10 /164 W

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R 172156Z SEP 76

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 4800

INFO AMEMBASSY BOGOTA

AMEMBASSY LONDON

USCINCSO QUARRY HEIGHTS CZ

CINCLANT NORFOLK VA

C O N F I D E N T I A L SECTION 1 OF 2 CARACAS 11195

E.O. 11652: GDS

TAGS: PFOR, EAIR, EINV, ELBA, ETRD, VE, UK

SUBJECT: THIS WEEK IN VENEZUELA

REF: CARACAS 10929 (NOTAL)

SUMMARY: AD CELEBRATED ITS 35TH ANNIVERSARY THIS WEEK AND DECLARED FORMER PRESIDENT BETANCOURT ITS HONORARY PRESIDENT FOR LIFE. BETANCOURT TOOK THE OCCASION TO LAMBAST MAS A A DISGUISED COMMUNIST PARTY, PRAISE AD SECRETARY GENERAL PINERUA ORDAZ AND LAMENT CORRUPTION. THE PILOTS OF VENEZUELA'S SECOND AIRLINE, AVENSA, JOINED THEIR AERO-POSTAL COLLEAGUES IN REFUSING TO FLY, AND THE GOV HARDENED ITS POSITION BY THREATENING TO DENY THE PILOTS' CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CARACA 11195 01 OF 02 181317Z

LICENSES. WHILE A COMPROMISE SOLUTION MAY BE FOUND, THE

GOV'S ACTION TO DATE HAS STRENGTHENED THE RESOLVE OF THE PILOTS, AND THE GOV MAY BE FACING A VIRTUAL SHUTDOWN OF ITS DOMESTIC SERVICES SHOULD VIASA PILOTS JOIN THEIR COLLEAGUES. PETROVEN AND THE MINISTRY OF MINES CONTINUE TO PRESS FOR A GASOLINE HIKE, BUT THE PRESIDENT CONTINUES TO OPPOSE SUCH A MOVE. THE BRITISH EXPRESS INTEREST IN COOPERATION ON ENERGY DEVELOPMENT. THE U.S. FOOD PROCESSING AND PACKAGING EXHIBITION "ALQUIPOS 76" OPENED ON SEPTEMBER 14. END SUMMARY.

1. FORMER PRESIDENT BETANCOURT NAMED HONORARY PRESIDENT FOR LIFE OF AD. DURING THE 35TH ANNIVERSARY CELEBRATION OF THE FOUNDATION OF THE AD PARTY ON SEPTEMBER 12, FORMER PRESIDENT BETANCOURT WAS NAMED ITS HONORARY PRESIDENT FOR LIFE. BETANCOURT'S KEY ROLE IN ESTABLISHING VENEZUELAN DEMOCRACY AND THE AD PARTY WERE EXTOLLED IN LENGTHY SPEECHES BY PARTY DIGNITARIES, INCLUDING PRESIDENT PEREZ. IN ADDITION, FORMER PRESIDENT RAFAEL CALDERA (COPEI) SENT A WARM MESSAGE OF CONGRATULATIONS, SINGLING OUT BETANCOURT'S CONTRIBUTIONS AND NOTHING THAT BOTH SHARE A "DEEP FAITH IN FREEDOM AND A FIRM BELIEF IN THE DEMOCRATIC IDEALS OF THE PEOPLE." THE NAMING OF BETANCOURT AS HONORARY LIFE PRESIDENT MERELY FORMALIZED HIS CONTINUING ROLE AS THE CENTRAL FIGURE IN THE PARTY. CALDERA'S CONGRATULATIONS WERE IN KEEPING WITH THE CLOSE RELATIONSHIP BETWEEN THE ONLY TWO LIVING FORMER PRESIDENTS (BY ELECTION) OF VENEZUELA.

2. BETANCOURT ATTACKS MAS AS A DISGUISED COMMUNIST PARTY, PRAISES PINERUA ORDAZ AND LAMENTS CORRUPTION. IN A MAJOR SPEECH ON SEPT 13 THANKING HIS PARTY FOR NAMING HIM HONORARY PRESIDENT FOR LIFE THE PREVIOUS DAY, FORMER PRESIDENT BETANCOURT MADE THREE MAJOR POINTS. FIRST, AND MOST IMPORTANT, HE CALLED THE "MOVEMENT TOWARD SOCIALISM" (MAS) A COMMUNIST POLITICAL MOVEMENT. HE SAID THAT THE ORIGINAL DOCUMENT PRESENTED BY MAS FOR ITS OFFICIAL LEGALIZATION AS A POLITICAL PARTY TO THE SUPREME ELECTORAL COUNCIL DEFINED IT CLEARLY "WITHOUT HIDING ITS IDEOLOGICAL AFFILIATION IN INOFFENSIVE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CARACA 11195 01 OF 02 181317Z

SHEEP'S CLOTHING" AS THE "MOVEMENT TOWARD SOCIALISM (MAS) COMMUNIST PARTY OF VENEZUELA." BETANCOURT ALSO HARSHLY CRITICIZED THE "NOUVEAU RICHE" LIFESTYLE THAT MANY HAVE ADOPTED IN VENEZUELA, CALLING ON EACH AD PARTY MEMBER TO AVOID PUBLIC CORRUPTION. FINALLY, HE PRAISED LUIS PINERUA ORDAZ AS A POLITICIAN IN WHOM HE HAS THE UTMOST CONFIDENCE AND ONE WHO POSSESSES ABSOLUTE ADMINISTRATIVE HONESTY. FOLLOWING BETANCOURT'S

SPEECH, THE PRESS WIDELY INTERPRETED HIS PRAISE OF PINERUA ORDAZ AS AN OPEN ENDORSEMENT OF THE LATTER'S PRESIDENTIAL CANDIDACY. WHILE IT FELL SHORT OF SUCH AN ENDORSEMENT, BETANCOURT'S REMARKS GAVE A BOOST TO PINERUA ORDAZ' POSITION AS THE PRESENT LEADING AD PRESIDENTIAL CONTENDER. BETANCOURT'S ATTACK ON MAS IS MORE SIGNIFICANT, HOWEVER, IN THAT HE CLEARLY PLACED MAS BEYOND THE PALE. AN INTERNAL AD DEBATE HAS FOCUSED ON WHETHER COPEI SHOULD BE ATTACKED BY BUILDING UP MAS. SOME PARTY LEADERS HAVE EXPRESSED CONCERN THAT BY WEAKENING THE PRINCIPAL DEMOCRATIC OPPOSITION PARTY AND CONTRIBUTING TO THE GROWTH OF A TOTALITARIAN PARTY, AD WOULD BE DIGGING ITS OWN GRAVE. APPARENTLY, THIS VIEWPOINT HAS WON. BETANCOURT'S ATTACK ON CORRUPTION IS STANDARD FARE FOR HIM AND IS ALSO A RECOGNITION THAT THIS THEME MAY HAVE A WIDE POPULAR APPEAL AND THAT AD SHOULD PUT ITS HOUSE IN ORDER.

3. PILOTS STRIKE SPREADS, POSITIONS HARDEN. PILOTS OF VENEZUELA'S SECOND DOMESTIC AIRLINE, AVENSA, HAVE JOINED THEIR COLLEAGUES AT GOVERNMENT-OWNED LAV (ON STRIKE SINCE SEPT 14) IN REFUSING TO FLY ON THE GROUNDS THAT AIRCRAFT, AIRPORTS AND NAVIGATIONAL AIDS ARE INADEQUATE AND UNSAFE. (SEE CARACAS 11134) MANY AGRICULTURAL AND CORPORATE PILOTS HAVE ALSO GROUNDED THEIR CRAFT WHILE THE VENEZUELAN INTERNATIONAL AIRLINE (VIASA) PILOTS ARE TO MEET AT 8 P.M. ON SEPT 17 TO VOTE ON A WORK STOPPAGE. THE GOV, WHICH CONSIDERS THE STRIKE ILLEGAL, HAS HARDENED ITS POSITION BY ARRESTING ONE LEADER OF THE PILOTS UNION AND ISSUING ARREST ORDERS FOR SEVERAL OTHER PILOTS. COMMUNICATIONS MINISTER SUCRE FIGARELLA HAS CONTACTED DOUGLAS TO ARRANGE FOR TRAINING FIFTY

CONFIDENTIAL

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CONFIDENTIAL

PAGE 01 CARACA 11195 02 OF 02 181340Z

41

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C O N F I D E N T I A L SECTION 2 OF 2 CARACAS 11195

VENEZUELAN AIR FORCE PILOTS ON DC-9S. AN EXTRAORDINARY CABINET MEETING THE EVENING OF SEPT 16 BACKED SUCRE FIGARELLA'S HARD LINE ON THE DISPUTE, SET A DEADLINE OF 8 PM SEPT 17 FOR THE PILOTS TO RETURN TO WORK AND AUTHORIZED THE DENIAL OF RENEWAL OF LICENSES OF PILOTS WHO PARTICIPATE IN "SUDDEN INTERRUPTIONS OF SERVICE OR ILLEGAL STRIKES."

COMMENT: THE ARREST OF LEADERS OF THE PILOTS UNION AND THE THREAT TO REVOKE PILOTS' LICENCES SEEM TO HAVE STRENGTHENED THE SOLIDARITY AND RESOLVE OF THE STRIKERS AND MAY INFLUENCE VIASA PILOTS TO JOIN THE STRIKE. IT SEEMS UNLIKELY THAT THE GOV WILL ACTUALLY ATTEMPT TO REPLACE ITS ENTIRE FORCE OF EXPERIENCED
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PAGE 02 CARACA 11195 02 OF 02 181340Z

AIRLINE PILOTS AT A TIME WHEN THE NUMBER OF JETS IN DOMESTIC SERVICE IS BEING DOUBLED. A COMPROMISE SOLUTION SAVING THE PRIDE OF BOTH SIDES WILL ALMOST CERTAINLY BE FOUND ALTHOUGH IT MAY TAKE SOME TIME. ALL CONNECTED WITH THE AIRLINE INDUSTRY IN VENEZUELA WITH THE POSSIBLE EXCEPTION OF SUCRE FIGARELLA AGREE THAT MANY OF THE PILOTS' COMPLAINTS, PARTICULARLY THOSE REGARDING NAVIGATIONAL AIDS, ARE JUSTIFIED. END COMMENT.

4. CONTINUED CONTROVERSY OVER GASOLINE PRICES.

PETROLEOS DE VENEZUELA (PETROVEN), THE COMPANY CREATED A YEAR AGO TO RUN THE NATIONALIZED OIL INDUSTRY, MUST INCREASE ITS NET PROFITS IF IT IS TO MAKE THE INVESTMENTS NEEDED TO DEVELOP FUTURE SOURCES OF SUPPLY WITHOUT RELIANCE ON APPROPRIATIONS FROM CONGRESS.

PETROVEN'S PRESIDENT, GENERAL ALFONSO RAVARD, HAS NOW BEGUN TO PUBLICIZE THESE NEEDS WHICH CAN BE MET AT THE EXPENSE OF THE GOV, FOREIGN BUYERS OF OIL, OR LOCAL CONSUMERS. FIRST, THE FOURTEEN NATIONAL OPERATING SUBSIDIARIES OF PETROVEN, STILL SUBJECT TO THE SAME TAX LAWS PREVIOUSLY APPLIED TO FOREIGN CONCESSIONAIRES, WIL NOW BENEFIT FROM A SLIGHT REDUCTION RECENTLY MADE IN THE TAX RATE APPLIED TO THEIR INCOME. THEY ALSO EXPECT TO BENEFIT DIRECTLY FROM ANTICIPATED INCREASES IN WORLD OIL PRICES. LOCAL INTEREST, HOWEVER, HAS FOCUSED ON PROPOSALS TO INCREASE PETROVEN'S PROFITS THROUGH HIGHER GASOLINE PRICES. IN THE PAST, FOREIGN OIL COMPANIES SUBSIDIZED THESE PRICES AS A COST OF DOING BUSINESS IN VENEZUELA. THIS COST, ESTIMATED BY THE GOVERNMENT AT \$200 MILLION, HAS NOW PASSED TO THE NATIONAL COMPANIES, WHICH ALSO FACE FUTURE SUPPLY PROBLEMS ARISING FROM RAPIDLY EXPANDING SHARP LOCAL DEMAND FOR GASOLINE. SO FAR AT LEAST, PRESIDENT PEREZ HAS BEEN UNWILLING TO BEAR THE POLITICAL COST OF A PRICE RISE IN SPITE OF REPEATED EFFORTS BY PETROVEN AND THE MINISTRY OF MINES TO JUSTIFY ITS ECONOMIC BENEFITS.

CONFIDENTIAL

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PAGE 03 CARACA 11195 02 OF 02 181340Z

5. BRITISH INTEREST IN COOPERATION ON ENERGY DEVELOPMENTS. GREAT BRITAIN'S MINISTER OF STATE FOR ENERGY, J. DICKSON MABON, JOINED THE GROWING LIST OF FOREIGN ENERGY OFFICIALS VISITING VENEZUELA TO DISCUSS EXCHANGES IN THE ENERGY FIELD. DURING HIS FOUR-DAY VISIT, HE SUGGESTED COOPERATION IN OFFSHORE DEVELOPMENT AND THE PRODUCTION AND REFINING OF HEAVY OIL FROM THE ORINOCO REGION. MABON NOTED THAT WHILE THE UNITED KINGDOM WOULD NOT BE A MEMBER OF OPEC, HIS GOVERNMENT DID FAVOR JUST, EQUITABLE OIL PRICES AND WORLD POLICIES TO CONSERVE ENERGY.

6. ALIQUIPOS 76. AMBASSADOR VAKY AND THE DIRECTOR GENERAL FOR INDUSTRY OF THE MINISTRY OF DEVELOPMENT, JORGE GARCIA DUQUE, OPENED THE U.S. FOOD PROCESSING AND PACKAGING SOLO EXHIBITION "ALIQUIPOS 76" ON SEPT 14. THE WELL-ATTENDED INAUGURATION FEATURED REMARKS BY THE AMBASSADOR AND DIRECTOR GENERAL GARCIA. ALTHOUGH FINAL VISITOR REGISTRATION/SALES FIGURES WILL NOT BE AVAILABLE UNTIL CLOSE OF SHOW ON SEPT 18, RESULTS SO FAR INDICATE THAT EXHIBITION THEME IS APPROPRIATE AND TIMELY AND IS BEING WELL RECEIVED BY TARGET MARKET.
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